



DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT CHARLOTTE GOLAR RICHIE, CHIEF AND DIRECTOR

**Table 1: Boston Foreclosure Sales  
1990 to 2005**

Year	Foreclosures	% of Real Estate Transactions*
1990	341	8.3%
1991	1,008	29.2%
1992	1,679	43.8%
1993	1,430	29.0%
1994	1,126	17.6%
1995	646	10.4%
1996	532	7.7%
1997	285	4.7%
1998	217	2.8%
1999	190	2.2%
2000	75	1.0%
2001	32	0.5%
2002	42	0.5%
2003	43	0.6%
2004	25	0.2%
2005	60	0.6%

\*Sales of 1-, 2-, 3-family homes & condominiums.  
Original Data Source: The Warren Group (1990 to 2003)  
and Suffolk Registry of Deeds (2004 & 2005).

#### **Terminology**

**Foreclosure Petition:** A lender must file a petition in court to begin the foreclosure process.

**Foreclosure Deed:** The same as a foreclosure sale, this is the completion of the foreclosure process, including the auction.

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**This *Foreclosure Trends* report covers changes in Boston's residential foreclosures from 1990 to 2005, with a more detailed look at foreclosure activity from 2003 to 2005.**

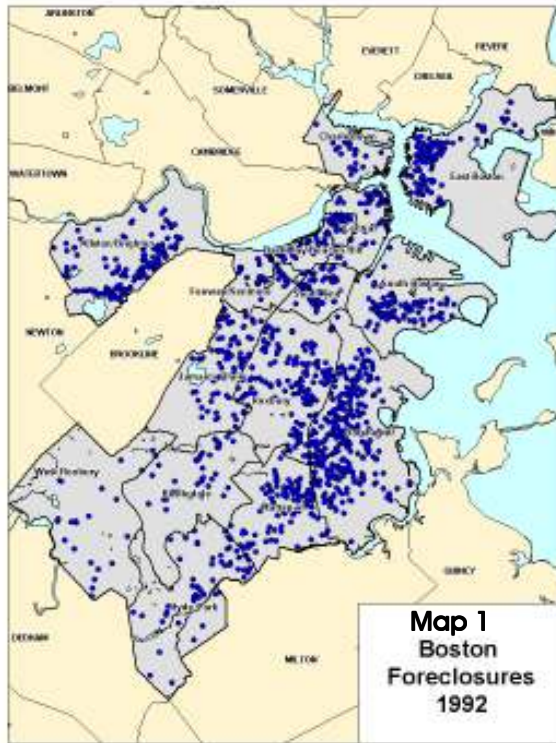
**Overview** The 1990/1991 recession saw a rapid increase in foreclosures and a decrease in sales prices. Foreclosure deeds (sales) peaked in 1992 at 43.8% of all sales transactions. The market recovered slowly. Foreclosures did not return to pre-recession levels until 1997 (see Table 1).

Foreclosures fell until 2004's historic low of 25, while 2005 saw an increase of 140% to 60 foreclosures. The low number suggests that foreclosures are not a significant problem in the Boston real estate market.

With so few cases, trends are difficult to detect. With this in mind, the Department of Neighborhood Development began to collect foreclosure petition data in 2003. With three years of data, the following trends are now identifiable:

- Foreclosure petitions increased 84% from 2003 to 2005, and 70% of 2005 petitions were concentrated in Dorchester, Hyde Park, Mattapan and Roxbury.
- This concentration corresponds to both low/moderate income and high non-white neighborhoods, as well as concentrations of "sub-prime" mortgages.
- Sub-prime lenders are the most prevalent loan originators of loans that go into foreclosure.

This increase in foreclosure activity is a source of concern, though it is unclear whether it will have the same effect on the market as that created by the early 1990's wave of foreclosures. Regardless, every foreclosure represents the loss of a family's most important asset and a potential de-stabilizer to a street or neighborhood.



**Foreclosure Deeds** Residential foreclosure deeds peaked in 1992. Map 1 shows the concentration of these foreclosures. Foreclosure of three-family homes prevailed in Dorchester (42%), Mattapan (40%) and Roxbury (52%), but condominiums were more than 90% of foreclosures in the Allston/Brighton (91%), Back Bay/Beacon Hill (97%), Central (97%), South End (98%), and Fenway/Kenmore (100%) neighborhoods.

Table 2 is a snapshot of foreclosures at three points in the market: the foreclosure peak (1992), a recovered market with decreasing foreclosures (1998), and today's market (2005). In 1992, Allston/Brighton and Dorchester had the most foreclosures (both at 19%). By 1998, Allston/Brighton had dropped to eighth among the neighborhoods (5%). This is largely due to a recovery from the speculative boom and bust in the local condominium market. Dorchester (29%), Roxbury (16%) and Mattapan (13%) together accounted for 59% of foreclosures. This pattern repeated in 2005, as these neighborhoods accounted for 60% of foreclosures.

The Central, Charlestown, East Boston, Jamaica Plain, South End and West Roxbury neighborhoods each accounted for 1.7% of 2005 foreclosures, and together accounted for only 10% of foreclosure deeds. These neighborhoods contained 27% of 1992 and 14% of 1998 foreclosures.

**Table 2: Foreclosures, By Neighborhood (1992, 1998 and 2005)**

Neighborhood	1992 Foreclosures	1992 Neighborhood as % of Total	1998 Foreclosures	1998 Neighborhood as % of Total	2005 Foreclosures	2005 Neighborhood as % of Total
Allston/Brighton	312	18.6%	11	5.1%	4	6.7%
Back Bay/Beacon Hill	73	4.3%	0	0.0%	2	3.3%
Central	59	3.5%	2	0.9%	1	1.7%
Charlestown	43	2.6%	0	0.0%	1	1.7%
Dorchester	311	18.5%	63	29.0%	20	33.3%
East Boston	134	8.0%	12	5.5%	1	1.7%
Fenway/Kenmore	86	5.1%	6	2.8%	2	3.3%
Hyde Park	54	3.2%	18	8.3%	5	8.3%
Jamaica Plain	103	6.1%	5	2.3%	1	1.7%
Mattapan	94	5.6%	29	13.4%	6	10.0%
Roslindale	76	4.5%	13	6.0%	3	5.0%
Roxbury	144	8.6%	35	16.1%	10	16.7%
South Boston	75	4.5%	12	5.5%	2	3.3%
South End	89	5.3%	6	2.8%	1	1.7%
West Roxbury	24	1.4%	5	2.3%	1	1.7%
Unknown	2	0.1%	0	0.0%	0	0.0%
<b>Citywide</b>	<b>1,679</b>	<b>100.0%</b>	<b>217</b>	<b>100.0%</b>	<b>60</b>	<b>100.0%</b>



**Foreclosure Petitions by Neighborhood** Foreclosure deeds have become too few to serve as an accurate guide to financially distressed real estate. An analysis of foreclosure petitions provides new insights. A foreclosure petition is the first public step in the foreclosure process. Many owners are able to resolve the problem before an auction is scheduled and/or before the foreclosure is complete. During 2005, the number of foreclosure deeds was 10% of the foreclosure petitions filed.

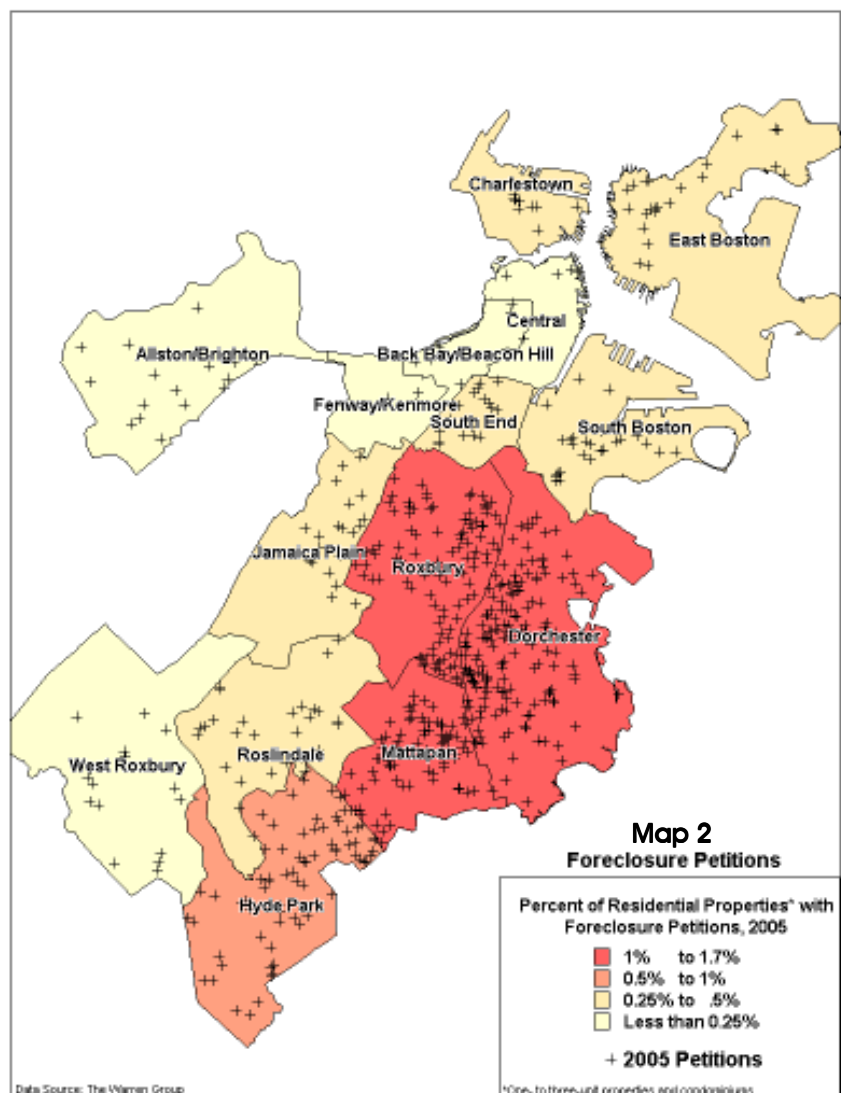
Though Map 1 (1992 foreclosure deeds) and Map 2 (2005 foreclosure petitions) do not cover the exact same type of data, it is relevant to make a comparison to get a sense of long-term trends. Compared to 1992, the concentration of foreclosure activity continued in the Franklin Field South area of Mattapan, as well as in neighborhoods along the Dorchester/Roxbury border, especially near Talbot Avenue.

There is no concentration of activity in Allston/Brighton, East Boston, or Fenway/Kenmore in 2005, compared to 1992. In 1992, Allston/Brighton and Fenway/Kenmore bore the brunt of the late 1980's/early 1990's speculative condominium conversion bubble. As there was little owner-occupant demand for these properties, when the market crashed in the early 1990's, many investor owners simply walked away from the units. Since this time, the condominium markets in these neighborhoods have stabilized.

To get a clearer sense of the problem, it is useful to look at the number of foreclosures compared to the number of residential properties. Table 3 (see next page) provides the detailed numbers by neighborhood, but Map 2 highlights the differences between neighborhoods.

There were foreclosure petitions filed on more than 1% of properties in Dorchester (1.17%), Mattapan (1.49%), and Roxbury (1.7%). Hyde park (0.98%) fell close behind these three.

Boston's other 11 neighborhoods all had foreclosure petition rates less than Citywide (0.56%), with the lowest level of foreclosure activity occurring in the Back Bay/Beacon Hill (0.07%), Central (0.12%) and Fenway/Kenmore (0.12%) neighborhoods.







**Foreclosure Petitions by Neighborhood (continued)** Foreclosure petitions increased in Boston 19.9% from 2003 to 2004 and 53.5% from 2004 to 2005 (see Table 3). From 2004 to 2005, Roxbury saw the largest increase in foreclosure petitions (117%), followed by Hyde Park (115%) and Jamaica Plain (100%). With already high levels of foreclosure petitions, the increases in Roxbury and Hyde Park are of concern. The number of foreclosure petitions fell in Back Bay/Beacon Hill (-46%), Fenway/Kenmore (-25%) and Allston/ Brighton (-14%). With so few petitions, this does not indicate a trend.

**Table 3: Foreclosure Petitions of One- to Three-Unit Properties and Condominiums, by Neighborhood**

Neighborhood	2003 Petitions	2004 Petitions	Percent Change 03 to 04	2005 Petitions	Percent Change 04 to 05	2005 Petitions as Percent of Residential Properties
Allston/Brighton	14	21	50.0%	18	-14.3%	0.15%
Back Bay/Beacon Hill	8	11	37.5%	6	-45.5%	0.07%
Central	5	4	-20.0%	6	50.0%	0.12%
Charlestown	9	12	33.3%	12	0.0%	0.31%
Dorchester	67	118	76.1%	165	39.8%	1.17%
East Boston	15	15	0.0%	23	53.3%	0.45%
Fenway/Kenmore	4	4	0.0%	3	-25.0%	0.12%
Hyde Park	26	33	26.9%	71	115.2%	0.98%
Jamaica Plain	10	10	0.0%	20	100.0%	0.31%
Mattapan	41	42	2.4%	76	81.0%	1.49%
Roslindale	17	22	29.4%	26	18.2%	0.37%
Roxbury	65	47	-27.7%	102	117.0%	1.70%
South Boston	17	18	5.9%	28	55.6%	0.40%
South End	11	13	18.2%	19	46.2%	0.32%
West Roxbury	12	15	25.0%	16	6.7%	0.17%
<b>Citywide</b>	<b>321</b>	<b>385</b>	<b>19.9%</b>	<b>591</b>	<b>53.5%</b>	<b>0.56%</b>

Data Source: 2003 and 2004 petitions gathered from [www.real-estate-analyst.com](http://www.real-estate-analyst.com). 2005 petitions data from The Warren Group. Property types include condominiums and one-, two-, and three-family properties.

### Foreclosure Deeds by Owner-Occupancy

Owner-occupants have increased as a percentage of all those with foreclosures deeds (sales). In 2002, 26% of foreclosure deeds were owner-occupants. In 2005, 48% of foreclosure deeds were on owner-occupied homes. Owner-occupants are more likely to try to save the home. This change raises concerns that owner-occupants are finding it more difficult to solve their financial problems before a foreclosure occurs.

**Table 4: Foreclosure Deeds, 2002 to 2005**

Year	Owner-Occupied	Absentee-Owned	Total	Owner-Occupant Percent of Total
2002	11	31	42	26%
2003	13	30	43	30%
2004	8	17	25	32%
2005	29	31	60	48%



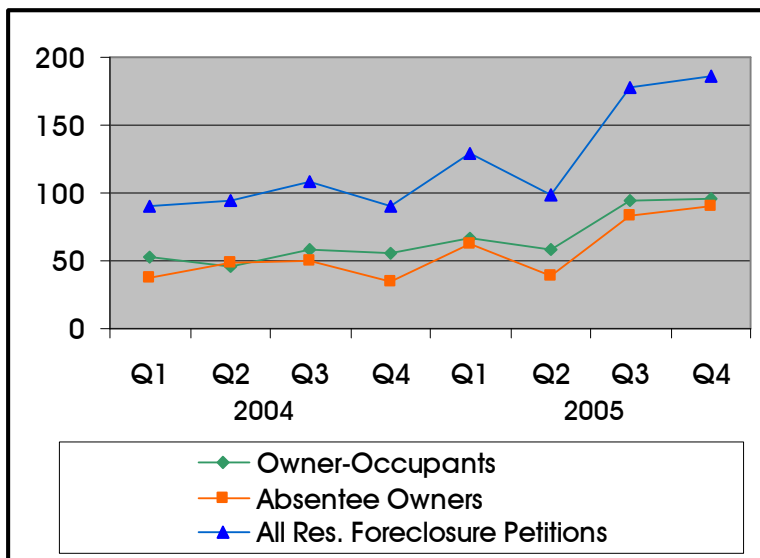
**Table 5: Foreclosure Petitions by Quarter, 2004 & 2005**

Year	Quarter	Owner-Occupied	Absentee-Owned	Total	Owner-Occupant Percent of Total
2004	Q1	53	37	90	59%
	Q2	46	48	94	49%
	Q3	58	50	108	54%
	Q4	55	35	90	61%
2005	Q1	67	62	129	52%
	Q2	59	39	98	60%
	Q3	95	83	178	53%
	Q4	96	90	186	52%

### **Foreclosure Petitions & Owner-Occupancy**

While the percentage of foreclosure deeds that are owner-occupants has increased, the percent of foreclosure petitions that are owner-occupants has remained within a band of 49% to 61% of total petitions each quarter (see Table 5). For all of 2004, 55.5% of petitions were owner-occupants, with this percentage falling to 53.6% in 2005. Shown graphically (Chart 1), a different and more dramatic story emerges. The number of foreclosure petitions has increased almost every quarter, with a 65% increase in petitions from Q3 of 2004 to Q3 of 2005, and a 107% increase from Q4 of 2004 to Q4 of 2005.

**Chart 1: Foreclosure Petitions by Quarter, 2004 & 2005**



### **Age of the Mortgage**

Homeowner economic distress can also be measured by the "age" of a mortgage (the length of time between the mortgage date and the foreclosure petition). Table 6 reveals that the median number of years between the mortgage and the initial foreclosure petition has fallen from 3.21 years in 2003 to 1.34 years in 2005. In 2003, only 37.5% of the mortgages were less than two years old. In 2005, 70.4% of the mortgages were less than two years old.

Interest rates of less than 6% in 2003/2004\* encouraged many homeowners to refinance. While this would have lowered the average "age" for all mortgages, the significant decrease from 2003 to 2005 for those in foreclosure may also be tied to: (1) Economically distressed homeowners refinanced in order to "buy time", but could not sustain the new loan, or (2) Homeowners (especially investor owners) acquired financing anticipating they would be able to sell the property quickly at a substantial profit, but market softness made this impossible.

\*Freddie Mac Primary Mortgage Market Survey.

**Table 6: Time between Mortgage and Foreclosure Petition**

	2003	2004	2005
Median Age of Mortgage (Yrs)	3.21	2.27	1.34
% Less than 1 Year	17.2%	19.2%	34.4%
% 1 to 2 Years	20.3%	26.8%	36.0%
Total Less than 2 Years	37.5%	46.0%	70.4%



**Years Property Owned** Similar to the trend in the age of mortgages, the number of years between the initial purchase of the property and the filing of a foreclosure petition decreased from a median of 5.42 years in 2003 to 3.66 years in 2005 (see Table 7). As would be expected, there is a difference between owner-occupants and absentee owners. The median years that an owner-occupant owned a property before a petition filing decreased from 7.66 years in 2003 to 5.12 years in 2005. For absentee owners, this same median dropped from 4.87 years in 2003 to 2.56 years in 2005.

Looking at the specific number of years that properties have been owned, only 6.1% of properties had been owned less than two years in 2003. In 2005, 37.7% of homes with foreclosure petitions had been owned less than two years. This could be the result of the following: (1) An increase in speculative purchases, and/or (2) An increase in the number of buyers purchasing beyond their financial means.

**Table 7: Number of Years Property Owned before Foreclosure Petition Filed, by Ownership Type**

	Owner-Occupants			Absentee Owners			Total		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
<b>Years Property Owned</b>									
Less than 1 Year	0.0%	2.3%	19.8%	0.0%	5.6%	21.9%	0.0%	4.1%	20.9%
1 to 2 years	8.9%	8.0%	12.6%	4.7%	11.1%	20.9%	6.1%	9.7%	16.8%
2 to 3 Years	8.9%	9.1%	4.9%	20.9%	7.4%	9.6%	16.8%	8.2%	7.3%
3 to 5 years	11.1%	28.4%	11.5%	29.1%	18.5%	12.8%	22.9%	23.0%	12.2%
5 to 10 years	57.8%	37.5%	33.0%	37.2%	41.7%	25.1%	44.3%	39.8%	29.0%
More than 10 years	13.3%	14.8%	18.1%	8.1%	15.7%	9.6%	9.9%	15.3%	13.8%
<b>Median Years Owned</b>	<b>7.66</b>	<b>5.2</b>	<b>5.12</b>	<b>4.87</b>	<b>5.61</b>	<b>2.56</b>	<b>5.42</b>	<b>5.55</b>	<b>3.66</b>

Data Notes: Foreclosure Petitions data compared with sales data. Original sales were found for 54% (591) of foreclosure petitions filled. Missing data can be due to differing Parcel ID's, lack of clear connection between current owner and past purchasers, and purchases prior to 1989. In this respect, this data should be used primarily to identify trends only.

**Table 8: Percent of Owners Selling before Property Foreclosed**

	Foreclosure Petition Year		
Owner Type	2003	2004	2005*
Owner-Occupants	30.3%	30.0%	20.5%
Absentee Owners	24.3%	36.6%	15.3%
Total	26.8%	33.0%	18.1%

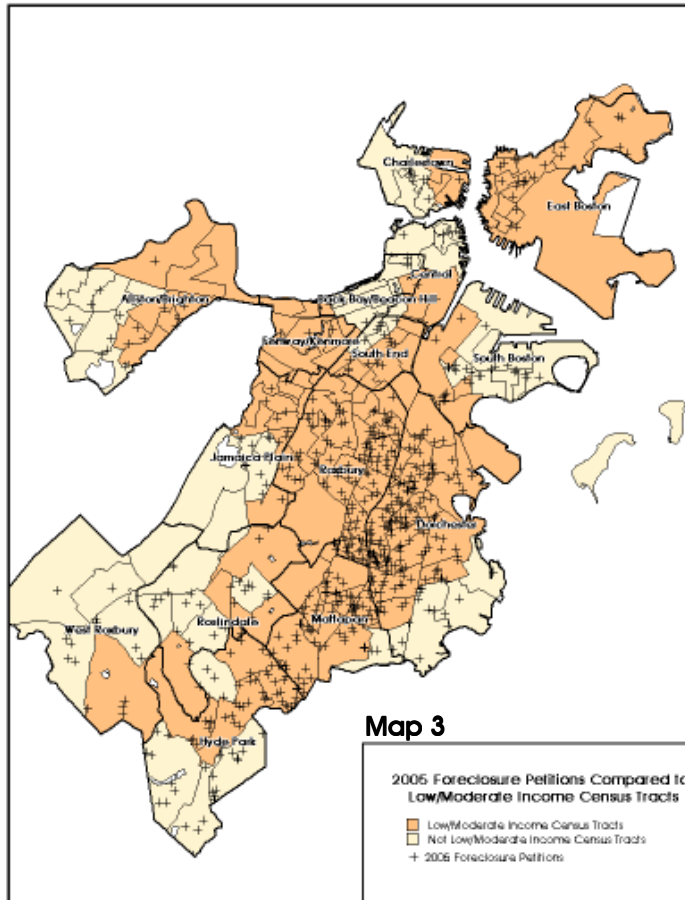
\* Please note that this includes petitions filed in late 2005, and therefore these owners have had less time to complete a sale of the property.

**A Note on Data Sources:** Non-residential foreclosure activity is not discussed in this report. Foreclosure deed data obtained from the Warren Group (pre-2003) and the Suffolk Registry of Deeds (2003 to 2005). Foreclosure petition data obtained from [www.real-estate-analyst.com](http://www.real-estate-analyst.com) (2003/2004) and from The Warren Group (2005). Owner-occupancy and property type information obtained from City of Boston Assessing data. Previous sales data obtained from the Warren Group.

### **Homes Sold Before the Foreclosure Sale**

In a strong sales market, many homeowners can sell the property and cover the outstanding mortgage amount before the foreclosure process is completed. Table 8 reveals that in 2003, 26.8% of those in the foreclosure process sold the property. This increased to 33% in 2004. This is not surprising, given that the real estate market remained strong in 2004. 2005 numbers are still inconclusive, but it does appear that absentee owners were much less likely to sell the property than in 2004 (37% in 2004, 15% in 2005). Sales prices were flatter in 2005, so it would be expected that those who bought on speculation with large mortgages would be less likely to cover the mortgage amount with a sale. If this downward trend holds true, then the number of foreclosure deeds will increase.





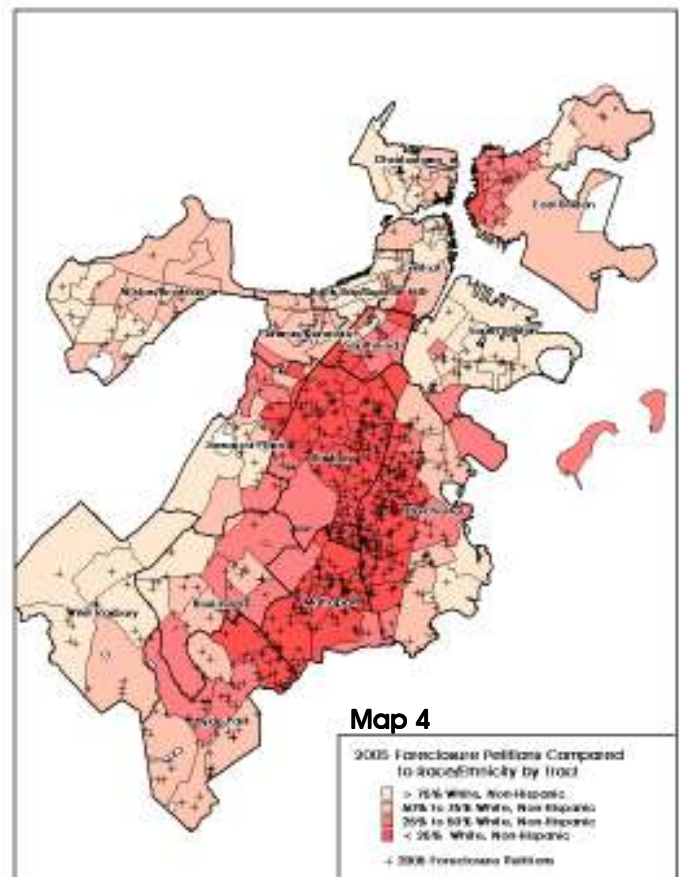
**Petitions and Race/Ethnicity** The race/ethnicity of those in foreclosure also is not available, but Map 4 reveals that foreclosure petitions are concentrated in non-white census tracts. In 2005, a household in a tract that was less than 25% white (non-Hispanic) was 7.1 times more likely to have a foreclosure petition filed. This parallels Jim Campen's data on 2004 High-APR Loans\*, which showed that owner-occupant households in such tracts were 7.5 times more likely to get a High-APR Loan\*\*.

\*Campen, Jim, 2006. "Borrowing Trouble? VI: High Cost Mortgage Lending in Greater Boston, 2004," Massachusetts Community & Banking Council. Available on-line at [www.masscommunityandbanking.org](http://www.masscommunityandbanking.org).

\*\* "High-APR Loans" are loans in which the spread between US Treasury Securities of the same maturity and the interest rate on a 1<sup>st</sup> lien loan is greater than 3%.

**Petitions and Income** The income of those in foreclosure is not available, but as Map 3 reveals, foreclosure petitions are concentrated in low/moderate income census tracts (tracts in which more than 51% of households earn less than 80% of Area Median Income). In 2005, a household in a low/moderate income tract was 3.7 times more likely to have a foreclosure petition filed.

From this map it is also clear that foreclosure petitions are more concentrated in some low/moderate income areas than in others, with the heaviest concentrations along the Dorchester/Roxbury border and in Mattapan. According to the work of Jim Campen\*, in 2004 over 20% of owner-occupant purchase loans and over 15% of owner-occupant refinance loans were "High-APR Loans."\*\*





**Table 9: 2005 Foreclosure Activity by State<sup>1</sup>**

State	Percent of Housing Units with Foreclosure Activity in 2005	Rank
Florida	1.52%	1
Colorado	1.47%	2
Utah	1.36%	3
Texas	1.31%	4
Indiana	1.13%	5
Arizona	1.09%	6
Georgia	1.04%	7
New Jersey	1.03%	8
Ohio	1.00%	9
Tennessee	0.95%	10
Connecticut	0.69%	17
<b>Massachusetts</b>	<b>0.16%</b>	<b>36</b>
New Hampshire	0.03%	48
Maine	0.02%	49
Vermont	0.02%	50
Rhode Island	0.01%	51
<b>United States</b>	<b>0.69%</b>	

<sup>1</sup>Source: [realitytrac.com/news/press/pressRelease.asp?PressReleaseID=86](http://realitytrac.com/news/press/pressRelease.asp?PressReleaseID=86). "The RealtyTrac 2005 U.S. Foreclosure Market Report provides the total number of homes entering some stage of foreclosure nationwide and by state. RealtyTrac's report includes properties in all three phases of foreclosure: Pre-foreclosures – Notice of Default (NOD) and Lis Pendens (LIS); Foreclosures – Notice of Trustee Sale and Notice of Foreclosure Sale (NTS and NFS); and Real Estate Owned, or REO properties (that have been re-purchased by a bank)." Given the different processes for foreclosure in each state, this data is useful for comparative purposes, but more specific, local data should be used to analyze and confirm the condition of a local market.

<sup>2</sup>Source: Foreclosures.com, foreclosure petitions for cities with population over 90,000 in Southern New England for the period 10/26/2005 to 4/24/2006. The number of petitions is annualized and divided by the number of housing units.

**Table 10: Foreclosure Activity by City<sup>2</sup>**

Cities over 90,000 in So. New England	Foreclosure Petition Rate
Brockton, MA	1.4%
Springfield, MA	1.3%
Bridgeport, CT	0.8%
Lowell, MA	0.8%
Worcester, MA	0.7%
Hartford, CT	0.7%
Providence, RI	0.6%
New Bedford, MA	0.5%
Fall River, MA	0.5%
<b>Boston, MA</b>	<b>0.5%</b>
Waterbury, CT	0.5%
New Haven, CT	0.4%
Stanford, CT	0.2%
Cambridge, MA	0.1%

### ***Boston in the National and Regional Context***

It is important to review national and regional data to understand that though the recent increase in Boston's foreclosure activity is of concern, Boston is experiencing less foreclosure activity than is seen in many other parts of the country. Table 13 includes 2005 data on the 10 states with the most foreclosure activity, as well as the New England states. Massachusetts was 36<sup>th</sup> among the 50 states and the District of Columbia, with foreclosure activity occurring on only 0.16% of housing units. This is only 10.5% of the Florida rate of 1.52% of housing units.

During 2005 0.5% of housing units in Boston had foreclosure petitions. If Boston were a state, it would rank 22<sup>nd</sup>. When compared to other New England cities, Boston fares better than many other cities with populations over 90,000 (see Table 14). Boston's foreclosure activity is equal to that found in Fall River and New Bedford, MA and Waterbury, CT. Brockton (1.4% of housing units) and Springfield (1.3%) have a greater problem than Boston, while wealthier cities such as Stanford, CT (0.2% of housing units) and Cambridge, MA (0.1%) have very little foreclosure activity.

Reliable data on large cities comparable to Boston is not readily available, but cities where foreclosures have been of significant local interest and action include:

- Chicago had a foreclosure petition rate in 2005 of 0.7% of occupied housing units.
- Cuyahoga County, Ohio (Cleveland) had a foreclosure petition rate in 2005 of 1.9% of occupied housing units.<sup>3</sup>
- Philadelphia had a foreclosure petition rate in 2003 of 1.1% of occupied housing units.<sup>4</sup>

<sup>3</sup> Source: Bajaj, Vikas and Ron Nixon, "For Minorities, Signs of Trouble in Foreclosures," *New York Times*, 2/22/2006.

<sup>4</sup> Source: The Reinvestment Fund, *Mortgage Foreclosure Filings in Pennsylvania*, found at [www.trfund.com/about/publications/pa%20foreclosures/Mortgage%20Foreclosure%20Filings.pdf](http://www.trfund.com/about/publications/pa%20foreclosures/Mortgage%20Foreclosure%20Filings.pdf).